

Message Text

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ACTION EB-07

INFO OCT-01 CIAE-00 COME-00 DODE-00 NRC-07 NSAE-00 USIE-00

TRSE-00 EUR-12 ERDE-00 ISO-00 /027 W

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P 151558Z MAR 76

FM AMEMBASSY PARIS

TO SECSTATE WASHDC PRIORITY 8803

UNCLAS SECTION 01 OF 02 PARIS 07605

EXCON

E.O. 11652: N/A

TAGS: ESTC FR

SUBJECT: E.L.D.: OEA/CD CASE 9(75)-12

REF: BAUER-BROWN TELECONS 26 FEB AND 9 MAR 1976

1. SITE PROPOSED BY ELD FOR FIRST INSTALLATION OF EH LABS MODEL 4540 TEST SYSTEM WAS INSPECTED MARCH 11 BY EDO AND JOHN LONG, EUROPEAN REP OF EH LABS. SITE CONSISTS OF LEASED SPACE IN TELEPHONE SWITCHBOARD ASSEMBLY PLANT OF CONTROLE ET CABLAGE ELECTRONIQUES (CCE) AT CHATEAUNEUF, IN ANGOULEME REGION OF SOUTHWEST FRANCE. PLANT IS CLEAN, WELL LIGHTED; HAS ADEQUATE POWER SUPPLY. LEASED AREA, WHICH WOULD BE DIVIDED FROM REST OF PLANT BY PARTITIONS AND AIR-CONDITIONED ACCORDING TO PLANS SHOWN US, HAS ADEQUATE SPACE FOR INSTALLATION OF 4540 PLUS PERSONNEL, RECORDS, INVENTORY AND OTHER NECESSARY OPERATIONAL SPACE. ALTHOUGH CCE DIRECTOR SAID HE UNAWARE OF ANY PLANS BY ELD TO INSTALL 8400 SYSTEM, LONG SAID PHYSICAL ARRANGEMENTS WERE FULLY SATISFACTORY FOR INSTALLATION OF BOTH SYSTEMS.

2. SITE AT WHICH ELD PLANS TO BUILD PLANT WHICH WOULD HOUSE BOTH EH 4540 AND 8400 TEST SYSTEMS, PLUS AMT FURNACES, WAS ALSO INSPECTED. SITE IS UNDEVELOPED FIELD IN COGNAC (ABOUT 15 MILES FROM CHATEAUNEUF)
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INDUSTRIAL PARK; I.E. WATER AND ELECTRICITY AVAILABLE

BUT NO GROUND BROKEN. ELD AND CCE HAVE INFORMED US, SEPARATELY, THAT PROJECT HELD UP BY NECESSARY BUILDING PERMITS AND NEGOTIATION OF TAX STATUS WITH REGIONAL DEVELOPMENT AUTHORITIES (CCE DIRECTOR, WHO IS ALSO COUNSELLOR TO REGIONAL INDUSTRIALIZATION AUTHORITY, HAS HELPED PREPARE CASE FOR ELD). TARGET DATE FOR COMPLETION IS STILL SEPTEMBER, BUT CCE DIRECTOR INDICATED END OF YEAR MORE LIKELY: I.E. EH EQUIPMENT WOULD REMAIN IN CHATEAUNEUF FOR 6 MONTHS TO ONE YEAR. WE HAVE ALSO BEEN SHOWN CORRESPONDENCE BETWEEN ELD AND NATIONAL ASSEMBLY REP FROM REGION, WHICH TENDS TO CONFIRM THAT PROJECT ACTUALLY UNDER CONSIDERATION.

3. EXACT CORPORATE OR LEGAL STATUS OF PLANNED NEW ELD FACTORY ALSO UNCLEAR. ELD CHAIRMAN LECORGNE-DOMERGUE APPARENTLY STUDYING POSSIBILITY OF INCORPORATION (BUT HAS NOT YET OBTAINED LEGAL MINIMUM OF TEN SHAREHOLDERS), BUT MAY ESTABLISH ECONOMIC INTEREST GROUP (WHICH IS SOMEWHAT SIMILAR TO LIMITED-RISK PARTNERSHIP UNDER FRENCH LAWS). IN ANY EVENT, ELD (LECORGNE-DOMERGUE) AND CCE HAVE BOTH STATED THAT ELD WOULD BE MAJORITY OWNER AND LEGAL PURCHASER OF EQUIPMENT. ELD HAS RENEWED OFFER TO LET EDO INSPECT EQUIPMENT IN PLANT.

4. ELD CHAIRMAN LECORGNE-DOMERGUE TOLD EDO AND LONG MARCH 3 THAT ELD NEEDS EH EQUIPMENT TO COMPLY WITH 15-YEAR CONTRACT WITH FRENCH ARMED FORCES FOR SUPPLY OF COMPONENTS WHICH USED, INTER ALIA, IN FRENCH

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MISSILE PROGRAMS. MOST COMPONENTS SOLD BY ELD ARE PURCHASED FROM SUB-CONTRACTORS, ACCORDING LECORGNE, EXCEPT FOR "SMALL" SHARE WHICH HE MAKES DIRECTLY (HE DECLINED, HOWEVER, TO GIVE ANY FURTHER DETAILS ON THIS MANUFACTURING ACTIVITY). IN ADDITION TO FRENCH GOVERNMENT CONTRACT, LECORGNE SIAD, ELD SELLS COMPONENTS TO THOMSON, IBM, LOGABEX, AND CII, BUT IT WAS ALSO CONSIDERING SELLING TIME ON EH EQUIPMENT. OUR CHECKS WITH FRENCH AIRSPACE AUTHORITY (SNIAS) CONFIRM THAT ELD DOES HAVE CONTRACTUAL SUPPLY RELATIONSHIP, ALTHOUGH SNIAS DESCRIBES QUANTITIES PURCHASED FROM ELD AS SMALL. SNIAS STATES IT HAS NO DEROGATORY INFORMATION ON THE FIRM.

5. WE PREPARING WTDR ON CCE. FIRM IS SUB-CONTRACTOR TO FRENCH ITT SUBSIDIARY FOR TELEPHONE SWITCHBOARD UNITS AND APPEARS TO BE WELL RUN AND SOLIDLY ESTABLISHED IN REGION. ACCORDING TO BOTH ELD AND CCE, THERE ARE CLOSE BUSINESS RELATIONSHIPS BETWEEN TWO FIRMS; ELD REPRESENTS CCE IN PARIS AREA AND CCE DOES SOME CONSULTING AND TECHNICAL SERVICES FOR ELD. ELD CHAIRMAN LECORGNE-DOMERGUE CLAIMED MARCH 3 TO HOLD FIVE PERCENT INTEREST IN CCE BUT CCE DIRECTOR DID NOT CONFIRM THIS WHEN QUESTIONED MARCH 11. CCE DIRECTOR SAID IT ALMOST CERTAIN THAT CCE WOULD BE ASSOCIATED WITH EVENTUAL ELD-LED PLANT IN COGNAC, THOUGH DEGREE AND FORM OF THAT UNCLASSIFIED

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PARTICIPATION STILL UNCLEAR.

6. PROPOSED LOCATION FOR TEMPORARY INSTALLATION OF EH TEST SYSTEM AT CCE LOCATION SEEMS FULLY ADEQUATE. SUGGEST EH LABS BE ENCOURAGED TO OBTAIN FOLLOW-UP MAINTENANCE CONTRACT WITH ELD WHICH WOULD PROVIDE BASIS FOR PERIODIC INSPECTION OF EQUIPMENT. DESPITE CONTINUING OPEN QUESTIONS REGARDING CORPORATE STRUCTURE OF PROPOSED ELD FACTORY, EMBASSY RECOMMENDS LICENSE APPLICATION (PER REF. TELECONS) BE APPROVED. WE RECOMMEND THAT APPROVAL BE SPECIFICALLY CONTINGENT UPON RIGHT OF POST-DELIVERY VERIFICATION OF END-USER. PLEASE PROVIDE EMBASSY WITH COPY OF LICENSE APPLICATION AND LICENSE APPROVAL FOR EMBASSY FILES. RUSH

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Margaret P. Grafeld
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